

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Canada

Livestock and Products Annual

2018

Approved By:

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FAS/Ottawa

Report Highlights:

The Canadian cattle herd is forecast to remain flat through 2019, as increased imports of feeder cattle compensate for a decline in domestic inventories. The swine herd is forecast to remain flat through 2019 although sow numbers will increase. Beef exports are forecast to see a modest increase in 2019 as a result of increased demand from international markets, while imports will add to a tight domestic supply. Canadian pork imports and exports will remain flat in 2019.

Key Words: Canada, CA18053, Livestock, Cattle, Beef, Swine, Pork

Executive Summary:

Cattle and Beef

- FAS/Ottawa forecasts the Canadian cattle herd size to remain flat in 2019. Increased heifer and cow slaughter activity coupled with high feed pricing and feeder cattle shortages in the second half of 2018 will be contributing factors.
- Imports of U.S. cattle will further increase as Canadian feedlots look to maintain a consistent supply.
- FAS/Ottawa forecasts flat beef production in Canada for 2019, given a tight supply of slaughter cattle and no anticipated gains in carcass weights.
- Sustained demand in export markets will see an increase in Canadian beef exports in 2019. FAS/Ottawa forecasts increased imports of U.S. beef, needed to maintain a steady supply for the Canadian market, given the limited availability of domestic product.

Swine and Pork

- FAS/Ottawa forecasts the Canadian swine herd to remain flat in 2019.
- Exports of live hogs will remain flat, given weak demand from the United States.
- FAS/Ottawa forecasts pork production in Canada to increase slightly in 2019, prompted by larger slaughter volumes and average carcass weights.
- Canadian pork exports will remain flat in 2019, as world markets face abundant supplies following global increases in pork production.

Cattle:

Production, Supply, and Distribution Estimates

CANADA Animal Numbers CATTLE ('000 head)	2017		2018		2019	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Total Cattle Beg. Stks	11,520	11,535	11,625	11,575	0	11,520
Dairy Cows Beg. Stocks	945	945	972	972	0	965
Beef Cows Beg. Stocks	3,680	3,680	3,710	3,700	0	3,680
Production (Calf Crop)	4,411	4,358	4,450	4,340	0	4,340
Total Imports	141	141	100	180	0	190
Total Supply	16,072	16,034	16,175	16,095	0	16,050
Total Exports	663	663	660	670	0	660
Cow Slaughter	480	450	440	480	0	430
Calf Slaughter	230	243	210	230	0	200
Other Slaughter	2,580	2,602	2,675	2,690	0	2,775
Total Slaughter	3,290	3,295	3,325	3,400	0	3,405
Loss	494	501	470	505	0	460
Ending Inventories	11,625	11,575	11,720	11,520	0	11,525
Total Distribution	16,072	16,034	16,175	16,095	0	16,050

NOTE: "NEW" data reflects author's assessments and are NOT official USDA data

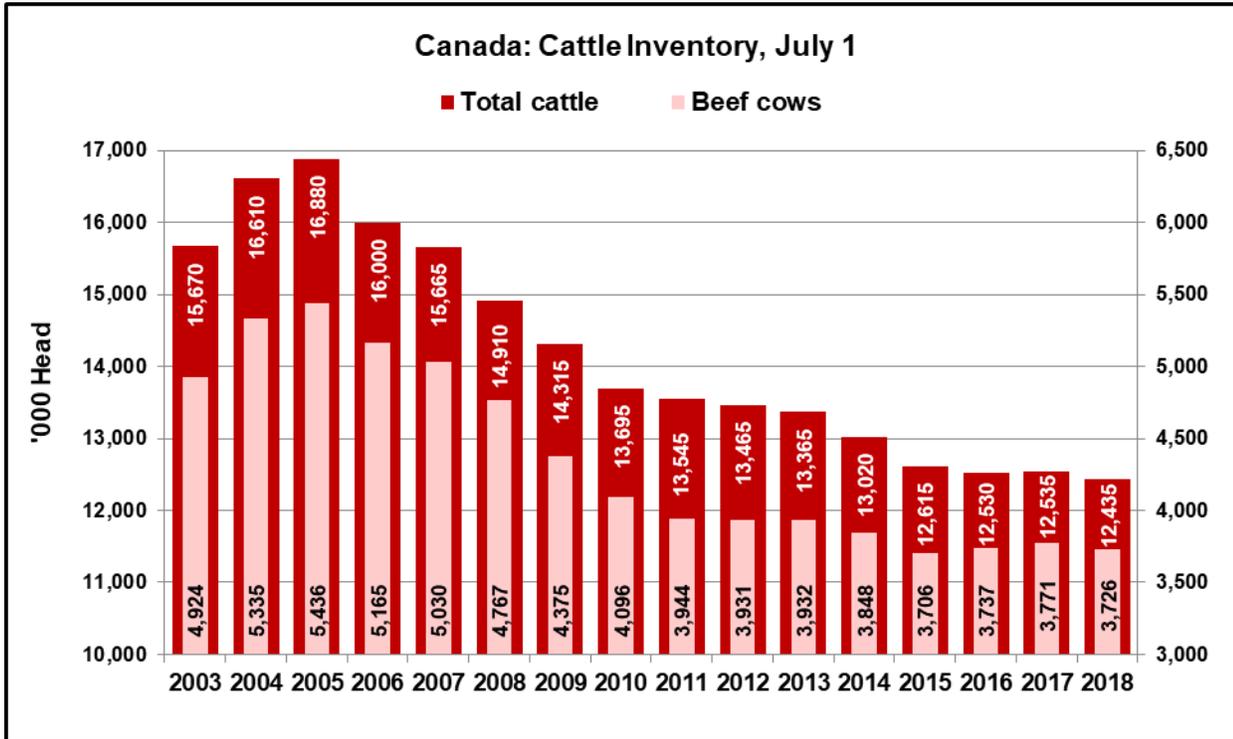
FAS/Ottawa forecasts the Canadian herd size to remain flat in 2019, based on a stagnant calf crop and continued cow slaughter. Modest gains in beef cow stocks in early 2018 are expected to be reversed through the year. In addition, Statistics Canada data on beef heifer retention for cow replacements indicates that producers are still intending to send an increasing number of heifers to slaughter rather than retain them.

Increased cow and heifer slaughter in 2018 is the result of feed costs and availability. Western Canada experienced difficult conditions for cow-calf operations this past winter. Calf losses were high and feed shortages lead to higher feeding costs than in previous years. Current reports indicate that feed and forage crops in Western Canada will be short once again this year, resulting in the calf crop moving to auction earlier, bringing prices down and further encouraging culling activity as producers seek to maintain profitability.

Canada saw a slight herd expansion from 2017 to 2018. Dairy cow stocks experienced a greater expansion than beef cow stocks. The surge in feeder cattle imports observed in Fall 2017 is also a contributing factor to the expansion noted in beginning stocks for 2018. However, given that these animals are destined for processing, the additional volume they add to the Canadian herd is only transient.

The feedlot sector could benefit from earlier calf sales pricewise, but this will be offset by a longer feeding period as these animals will come in at lighter weights. While grain costs are expected to be

higher this year, feedlots are expected to adjust by importing more grains from the United States when pricing is favorable.



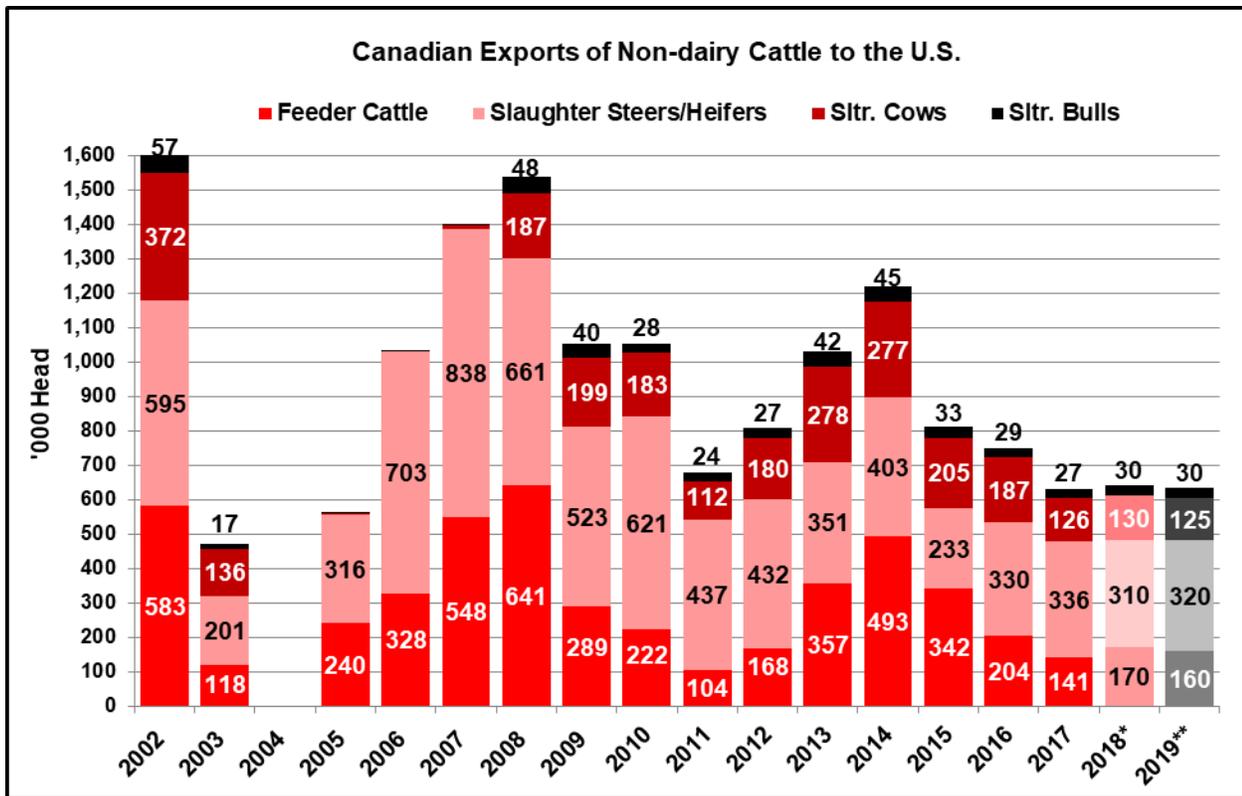
Source: Statistics Canada

Cattle Exports Steady and Imports Continue to Remain Strong

At 660,000 head, FAS/Ottawa forecasts cattle exports to the United States to remain flat in 2019, based on declining cull cow and feeder exports prompted by reduced demand from U.S. feedlots given ample availability of U.S. feeder cattle.

FAS/Ottawa forecasts that cull cow exports will decline four percent in 2019 as Canadian producers look to maintain their herd sizes following increased slaughter activity in 2017 and 2018. Fed cattle exports to the United States are forecast to increase three percent over 2018, as demand from U.S. processing plants remains steady.

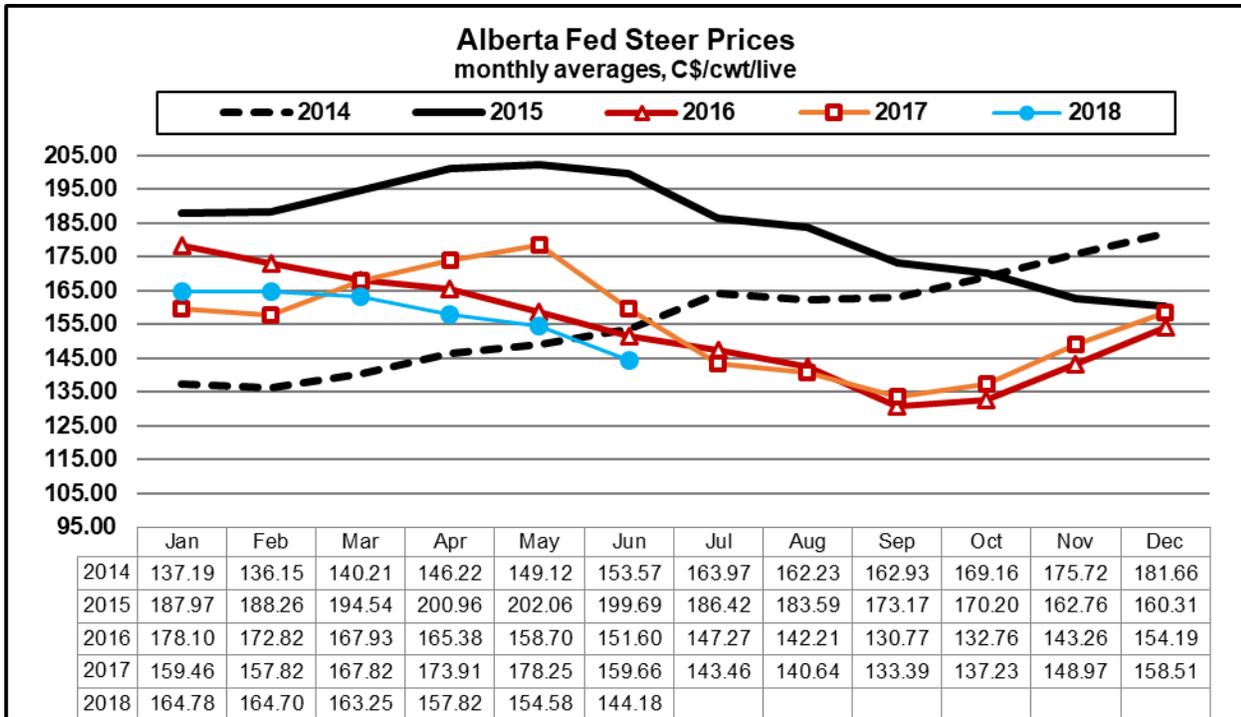
In 2018, cattle exports are estimated to reach 670,000 head, or one percent above the 2017 levels. Interest from U.S. feedlots in Canadian feeder cattle declined throughout the year, as U.S. capacity steadily filled up, primarily supplied by the expanded U.S. herd. The high prices for Canadian cattle will curtail the interest from U.S. buyers especially as the autumn cattle run begins.



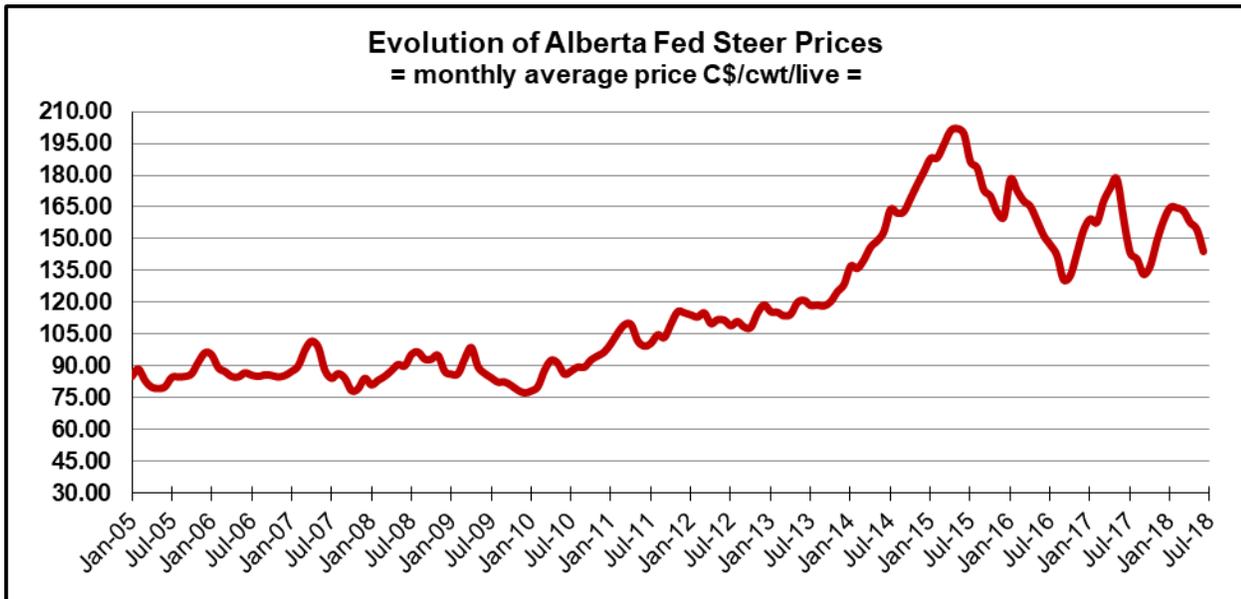
Source: Global Trade Atlas/FAS/Ottawa *estimate **forecast

FAS/Ottawa forecasts live cattle imports from the United States to reach 190,000 head in 2019, based on strong demand from Western Canada feedlots and continued availability of U.S. price-discounted dairy steers.

Cattle imports from the United States started to pick up pace in Fall 2017 and the trend continued into 2018. Despite high feed prices, Western Canada feedlots continue to import U.S. feeder cattle, both beef cattle and dairy steers, and to import feed as necessary, in order to ensure a consistent supply of fed cattle given strong demand from processing plants. This import trend is also supported by tight domestic feeder supplies, as the Canadian cattle herd shows no signs of expansion.



Source: CanFax



Source: CanFax

Beef:

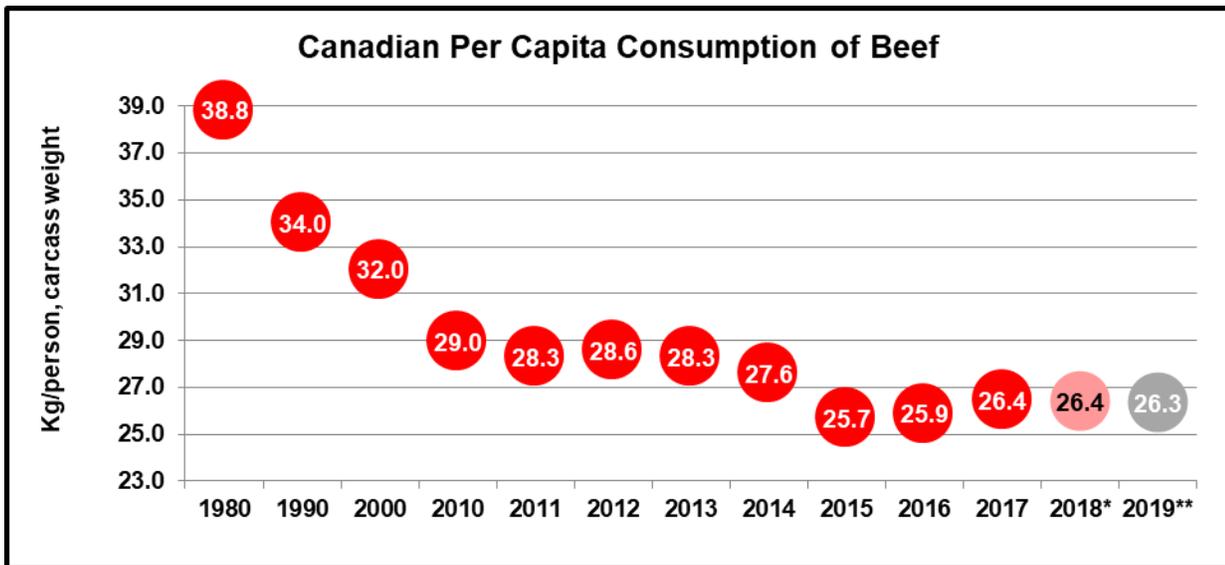
Production, Supply, and Distribution Estimates

CANADA Meat BEEF and VEAL	2017		2018		2019	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Slaughter (Reference)	3,290	3,295	3,325	3,400	0	3,405
Beginning Stocks	35	35	35	30	0	40
Production	1,175	1,201	1,190	1,240	0	1,245
Total Imports	229	229	235	240	0	250
Total Supply	1,439	1,465	1,460	1,510	0	1,535
Total Exports	469	465	480	490	0	505
Total Dom. Consumption	935	970	935	980	0	990
Ending Stocks	35	30	45	40	0	40
Total Distribution	1,439	1,465	1,460	1,510	0	1,535

Data in '000 metric tons except for "slaughter" which is in '000 head

NOTE: "NEW" data reflects author's assessments and are NOT official USDA data

FAS/Ottawa forecasts 2019 beef production at 1.245 million metric tons (MMT), flat from the estimated level of 1.24 MMT in 2018. As beef demand remains solid, this production trend will result from stable slaughter activity, with imported feeder cattle to compensate for a mild decline in the availability of domestic animals. In addition, carcass weights will remain constant going into 2019 on anticipated higher feed costs, which do not incentivize feedlots to keep cattle on feed longer than necessary.

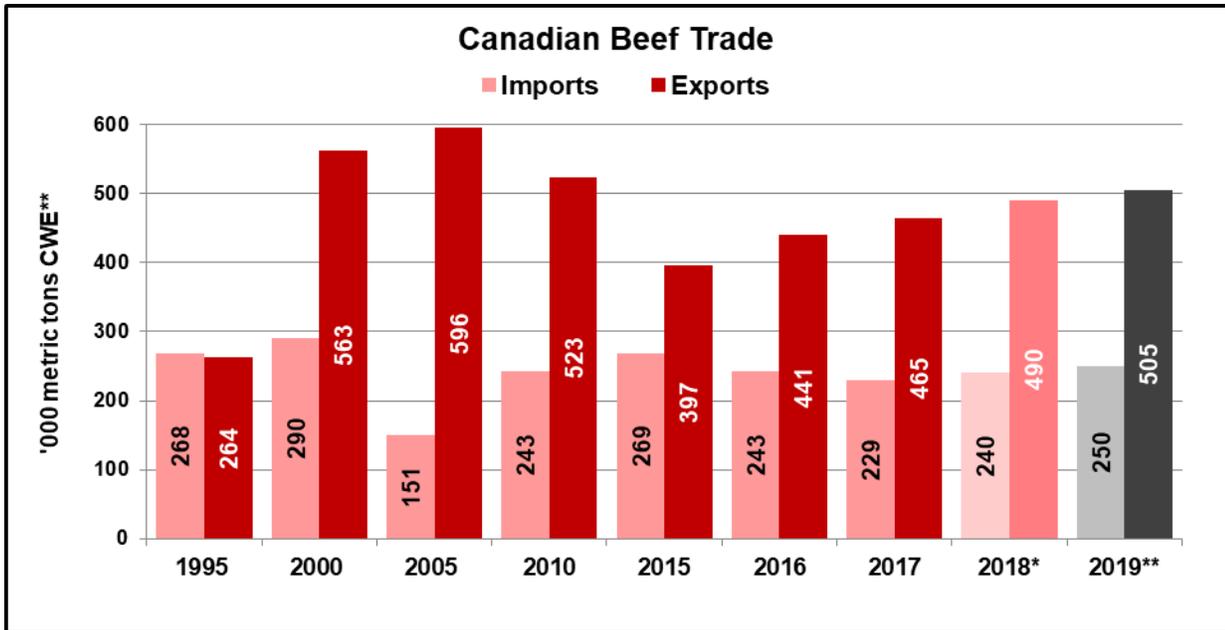


Source: Statistics Canada/FAS/Ottawa *estimate **forecast

FAS/Ottawa forecasts per capita consumption to remain stable in 2019 while beef demand continues to remain solid. Beef is currently still able to compete against other proteins despite increasing prices. Canadians continue to show willingness to pay to keep beef in their diet and price elasticity seems to have eroded. However, the increase in total consumption is driven by population growth and not

increases in per capita consumption. Compared to historical levels, per capita beef consumption remains low.

Canadian Beef Exports Continue to Increase



Source: Global Trade Atlas (fresh, frozen, and processed)/FAS/Ottawa *estimate **forecast

FAS/Ottawa forecasts Canadian beef exports to continue to increase in 2019, reaching 505,000 metric tons (MT) from an estimated level of 490,000 MT in 2018. Export demand remains solid, particularly in the United States and the Asian region, while additional market access opportunities gained in recent bilateral deals remain slow to materialize. Meeting the beef export requirements for the EU market and increasing the number of EU-eligible cattle in the Canadian herd continue to remain a challenge. In addition, the pilot project with China for fresh and chilled beef announced in [December 2017](#) has yet to generate increases in exported volumes, as the large Canadian processing plants await approval from Chinese authorities.

	Unit	Quantity			% Market Share			% Change 2018/2017
		2016	2017	2018	2016	2017	2018	
World	CW T	204,374	217,730	235,135	100.0 0	100.0 0	100.0 0	7.99
United States	CW T	164,628	168,687	185,822	80.55	77.48	79.03	10.16
Hong Kong	CW T	12,485	12,131	13,793	6.11	5.57	5.87	13.69
Japan	CW T	8,257	13,741	15,760	4.53	6.31	6.70	14.69
Mexico	CW T	7,083	8,291	8,178	3.47	3.81	3.48	-1.36
China	CW T	3,682	5,870	3,891	1.80	2.70	1.65	-33.72
Korea South	CW T	3,455	2,536	2,268	1.69	1.16	0.96	-10.57
Saudi Arabia	CW T	1,575	642	128	0.77	0.29	0.05	-80.12
All other countries		3,209	5,832	5,295	1.57	2.68	2.25	-9.21

Source: Global Trade Atlas / *Conversion to carcass weight equivalent (CWE) at 1.4 for fresh, chilled and frozen meat, and at 1.79 for salted and processed meat

FAS/Ottawa forecasts beef imports into Canada to rise in 2019 on strong consumer demand and the need to maintain a steady supply of beef given increased export activity. With Canadian beef achieving strong pricing performance in export markets, businesses will look to maximize profits by exporting high value Canadian cuts and satisfy the Canadian market with increased imports of lower priced cuts from the United States, which benefits from a considerable shipping cost advantage.

The United States will remain the top market for Canadian imports and exports. Canadian beef exports to the United States will continue to be dominated by fresh/chilled, boneless beef. Canada will continue to look to the United States to source cuts and lean trim for ground beef.

Canada: Beef Imports, January - June (metric tons, CWE*)

	Unit	Quantity			% Market Share			% Change 2018/2017
		2016	2017	2018	2016	2017	2018	
World	CW T	137,950	121,278	128,821	100.0 0	100.0 0	100.0 0	6.22
United States	CW T	74,943	76,651	78,862	54.33	63.20	61.22	2.88
Australia	CW T	26,639	13,431	16,091	19.31	11.07	12.49	19.80
New Zealand	CW T	15,251	13,869	14,733	11.06	11.44	11.44	6.23
Uruguay	CW T	14,237	11,410	10,802	10.32	9.41	8.38	-5.34
Brazil	CW	4,312	2,692	3,448	3.13	2.22	2.68	27.89

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All other countries	2,568	3,225	4,885	1.86	2.66	3.79	51.47

Source: Global Trade Atlas / *Conversion to carcass weight equivalent (CWE) at 1.4 for fresh, chilled and frozen meat, and at 1.79 for salted and processed meat

Swine:

Production, Supply, and Distribution Estimates

CANADA Animal Numbers SWINE ('000 head)	2017		2018		2019	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Total Beginning Stocks	13,945	13,935	14,325	14,250	0	14,300
Sow Beginning Stocks	1,238	1,236	1,254	1,245	0	1,260
Production (Pig Crop)	29,175	29,109	29,550	28,700	0	29,000
Total Imports	3	3	3	3	0	3
Total Supply	43,123	43,047	43,878	42,953	0	43,303
Total Exports	5,614	5,614	5,650	5,400	0	5,400
Total Slaughter	21,758	21,755	22,300	21,800	0	22,100
Loss	1,426	1,428	1,428	1,453	0	1,433
Ending Inventories	14,325	14,250	14,500	14,300	0	14,370
Total Distribution	43,123	43,047	43,878	42,953	0	43,303

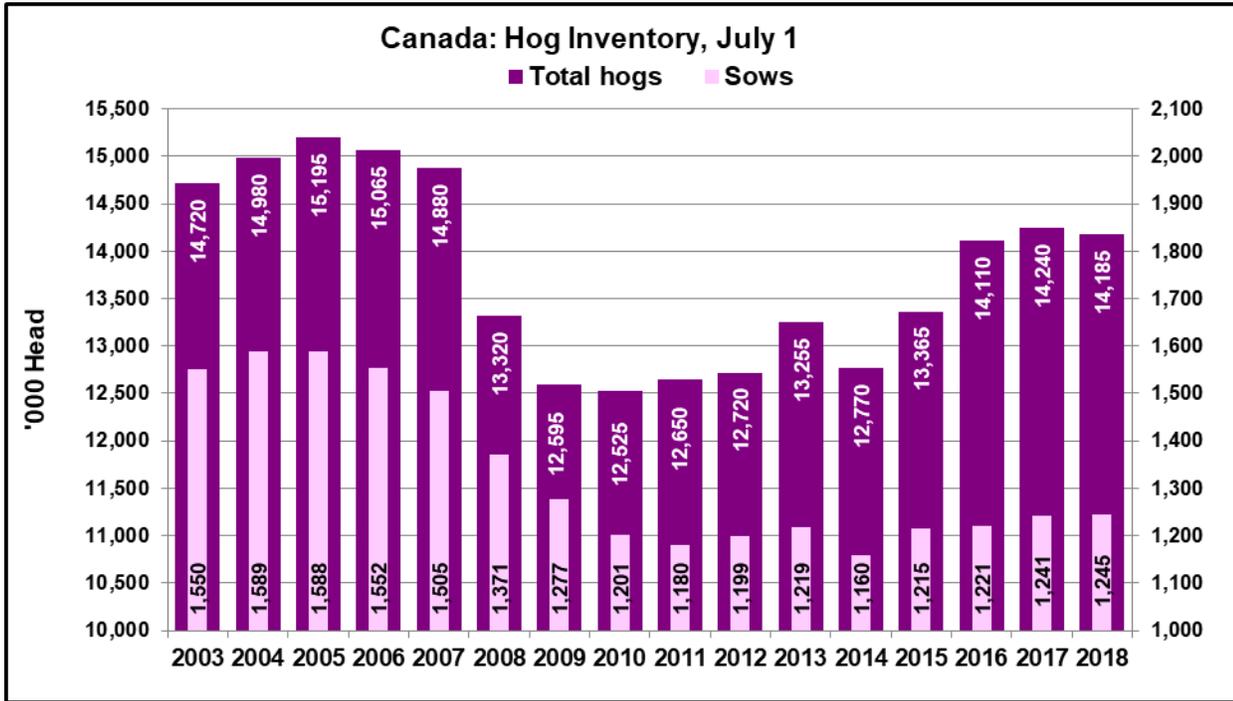
NOTE: "NEW" data reflects author's assessments and are NOT official USDA data

FAS/Ottawa forecasts the Canadian swine herd to remain flat in 2019, at 14.3 million head, nearly unchanged from the revised 2018 swine inventories. The sow herd is forecast to expand by 15,000 head, in response to new barn construction in both Western Canada (Manitoba) and Eastern Canada (Quebec), as the processing sector continues to slowly expand.

Regulatory restrictions on the construction of new finishing hog barns in Manitoba (one of the major hog producing provinces) have been relaxed over the past year. However, construction costs and risk aversion from producers across the country owing to uncertainties related to international trade relations will continue to present barriers to a more robust expansion in the hog sector. Industry sources indicate approximately 150,000 new hog finishing spaces to be added in Canada over the next year, but net impact is expected to be modest given that many of these new investments replace existing aging infrastructure.

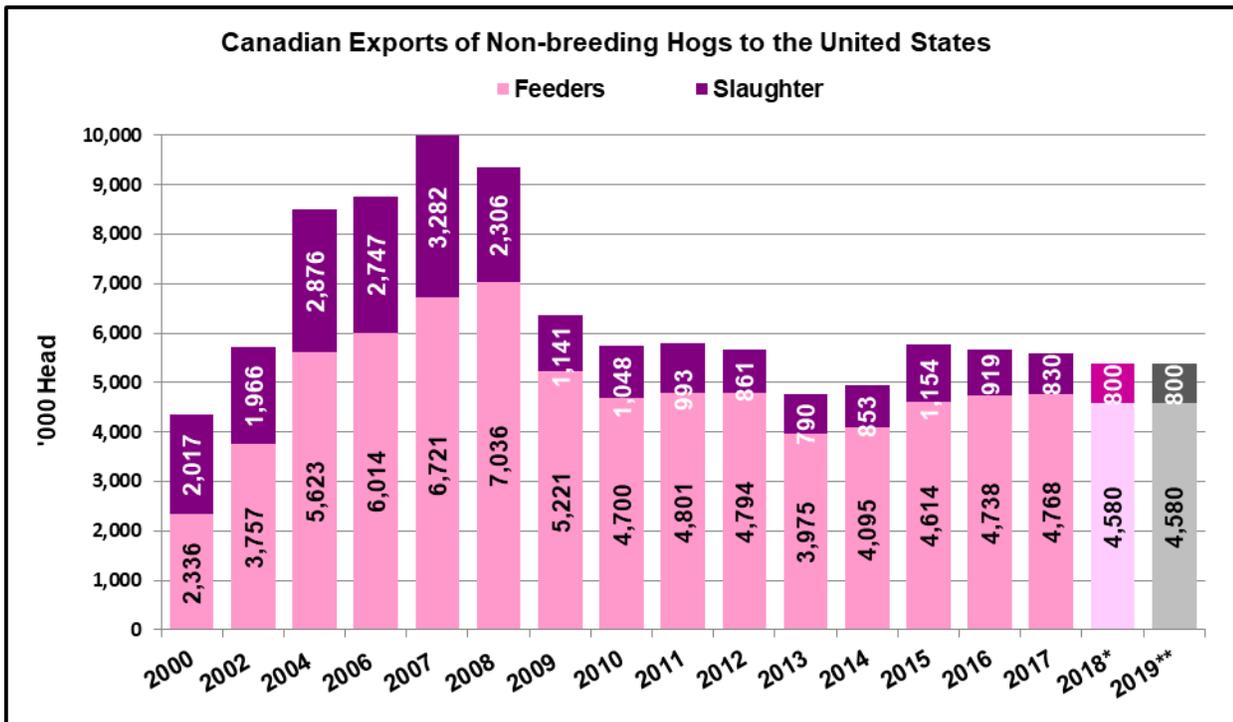
FAS/Ottawa forecasts a one percent rise in 2019 pig crop numbers. Expanded sow stocks and a rebound in productivity following negative impacts from PEDv will facilitate this increase. FAS/Ottawa also forecasts 2019 slaughter numbers to be greater by one percent over 2018 owing to larger inventories of market hogs from the expanded pig crop and the availability of additional finishing spaces in the new hog barns.

FAS/Ottawa estimates the 2018 pig crop at two percent below the 2017 level, despite the observed expansion in sow numbers over the last year. This is a result of reduced sow productivity following lingering impacts from the 2017 PEDv outbreak in Manitoba, as well as anticipated impacts from the 2018 outbreak.



Source: Statistics Canada

Live Hog Exports to Decrease



Source: Global Trade Atlas/FAS/Ottawa *estimate **forecast

FAS/Ottawa forecasts live hog exports to the United States to remain stable through 2019, following an estimated four percent decline in 2018 export volumes. Limited availability of export animals and weak demand from the United States are the primary causes for these trends. Increased piglet loss, a reduced pig crop and slower gains in finishers are all attributable to the 2017 and 2018 PEDv outbreaks in Canada. Across the border, the continued expansion of the U.S. swine herd diminished the need for imported Canadian feeder hogs. Additionally, more market pigs are expected to remain in Canada, as tighter supplies will increase the competition from Canadian processors.

Pork:

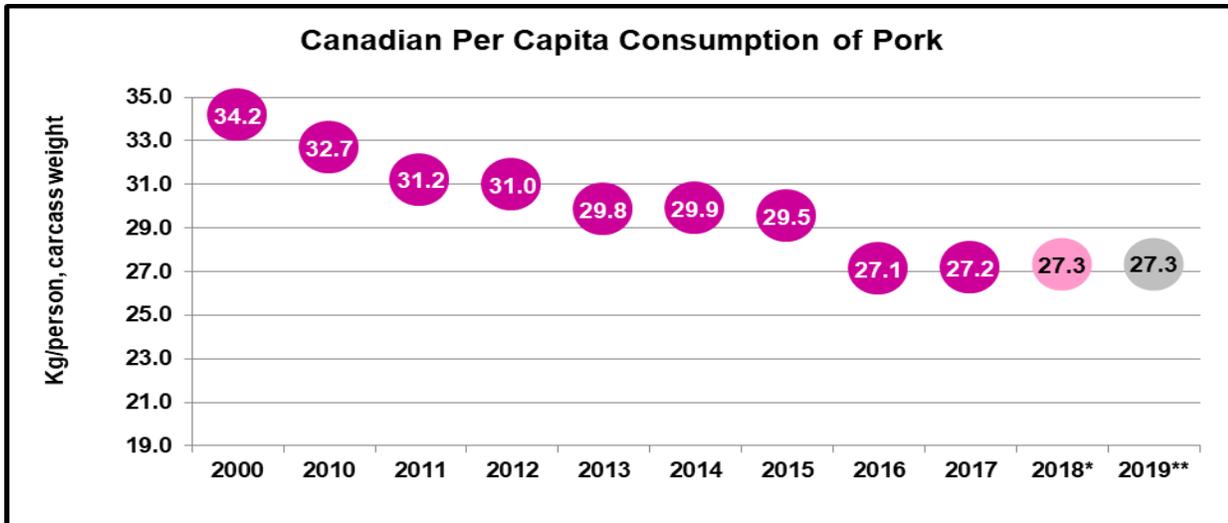
Production, Supply, and Distribution Estimates

CANADA Meat SWINE	2017		2018		2019	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Slaughter (Reference)	21,758	21,755	22,300	21,800	0	22,100
Beginning Stocks	67	72	75	90	0	80
Production	1,970	2,129	2,015	2,130	0	2,140
Total Imports	222	222	230	225	0	225
Total Supply	2,259	2,423	2,320	2,445	0	2,445
Total Exports	1,324	1,336	1,355	1,350	0	1,350
Total Dom. Consumption	860	997	900	1,015	0	1,025
Ending Stocks	75	90	65	80	0	70
Total Distribution	2,259	2,423	2,320	2,445	0	2,445

Data in '000 metric tons except for "slaughter" which is in '000 head

NOTE: "NEW" data reflects author's assessments and are NOT official USDA data

FAS/Ottawa forecasts pork production to increase mildly in 2019, on greater slaughter activity and constant carcass weights, supported by a solid demand. The 2018 pork production is estimated to remain flat over the previous year. This is a result of decreased carcass weights in market pigs and limited availability due to PEDv impacts.



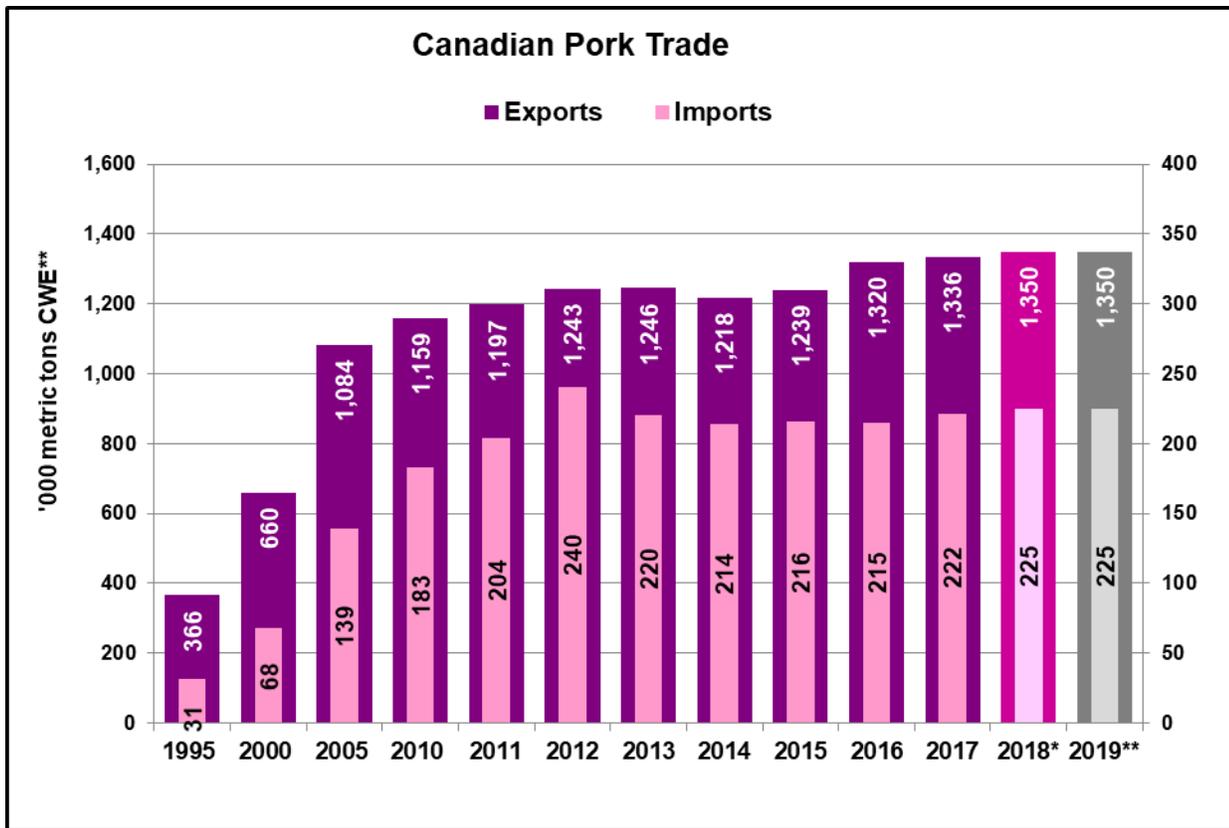
Source: Statistics Canada/FAS/Ottawa *estimate **forecast

Per capita pork consumption is expected to remain flat into 2019. Total Canadian consumption will rise on the basis of an increasing total Canadian population.

Canadian Pork Exports to Remain Flat on 2018 Numbers

FAS/Ottawa forecasts pork exports to stay at 1.35 MMT in 2019, unchanged from the estimated level in 2018. Demand in Asian markets remains stable, while a limited supply of pork will not support further market development. Anticipated declines in pork exports to the United States due to weaker demand will be compensated by increased exports to markets like Japan, South Korea, the Philippines and Mexico.

Industry sources report that Canadian pork is unlikely to fill any substantial displacements of U.S. exports to China as a result of retaliatory Chinese tariffs on U.S. pork products. This is owing to the type of products sent and a smaller Canadian supply. Canada and the United States send similar cuts to China and given the smaller size of Canada's production there is limited supply to divert to the Chinese market without disrupting other supply lines, particularly towards high-value markets.



Source: Global Trade Atlas/FAS/Ottawa *estimate **forecast

FAS/Ottawa forecasts 2019 pork import numbers to remain flat at 225,000 MT, as the Canadian dollar is not expected to gain any strength. The United States remains the main supplier of pork to Canada, although the implementation of CETA will result in the EU seeing a growth in market share. Retaliatory tariffs in third countries on U.S. pork will result in more U.S. exports to Canada in 2018, such as hams.

Canada: Pork Exports, January - June (metric tons, CWE*)

	Unit	Quantity			% Market Share			% Change 2018/2017
		2016	2017	2018	2016	2017	2018	
World	CW T	649,363	674,942	673,550	100.00	100.00	100.00	-0.21
United States	CW T	223,610	210,102	192,923	34.44	31.13	28.64	-8.18
China	CW T	165,522	163,624	146,453	25.49	24.24	21.74	-10.49
Japan	CW T	121,017	135,955	149,254	18.64	20.14	22.16	9.78
Mexico	CW T	46,920	51,244	58,741	7.23	7.59	8.72	14.63
Korea South	CW T	20,294	18,451	26,211	3.13	2.73	3.89	42.05
Philippines	CW T	14,479	21,454	29,664	2.23	3.18	4.40	38.27

Australia	CW T	11,194	12,610	7,760	1.72	1.87	1.15	-38.46
Taiwan	CW T	10,991	21,951	25,501	1.69	3.25	3.79	16.17
Chile	CW T	6,857	9,206	4,608	1.06	1.36	0.68	-49.94
Hong Kong	CW T	6,091	1,844	3,139	0.94	0.27	0.47	70.23
New Zealand	CW T	4,776	5,296	6,132	0.74	0.78	0.91	15.79
Colombia	CW T	2,396	2,509	3,336	0.37	0.37	0.50	32.98
All other countries		15,216	20,696	19,828	2.34	3.07	2.94	-4.19

Source: Global Trade Atlas / *Conversion to carcass weight equivalent at 1.3

Canada: Pork Imports, January - June (metric tons, CWE*)								
	Unit	Quantity			% Market Share			% Change 2018/2017
		2016	2017	2018	2016	2017	2018	
World	CW T	101,942	105,787	111,958	100.00	100.00	100.00	5.83
United States	CW T	85,560	90,672	93,340	83.93	85.71	83.37	2.94
Germany	CW T	3,533	2,365	2,864	3.47	2.24	2.56	21.08
Spain	CW T	3,139	2,182	2,323	3.08	2.06	2.08	6.46
Poland	CW T	2,929	3,776	5,259	2.87	3.57	4.70	39.26
Denmark	CW T	1,894	2,076	2,975	1.86	1.96	2.66	43.34
All other countries		4,887	4,716	5,197	4.79	4.46	4.64	10.20

Source: Global Trade Atlas / *Conversion to carcass weight equivalent at 1.3

Policy

CETA

The Comprehensive Economic and Trade Agreement ([CETA](#)) between Canada and the European Union entered into force on September 21, 2017. Canada gained tariff rate quotas (TRQs), in a step-up approach, over five years, reaching 50,000 MT for beef, 3,000 MT for bison, and over 80,000 MT for pork by the end of the implementation period in 2022. For Canadian beef exported to the EU within the existing high-quality beef quota, the duty dropped from 20 percent to zero upon entry into force. All beef exports to the EU continue to be subject to EU requirements regarding growth promotant, antimicrobial treatments, and sanitary inspection equivalence.

China

A chilled meat (beef and pork) [pilot project](#) for Canadian exports to China was approved in December 2017. As part of this pilot, slaughter facilities will have to receive [approval](#) to become eligible to export chilled/fresh beef and pork from Canada to China. Sources report that some Canadian beef and pork processors have been approved and exports have been initiated but major beef processors are still not on the eligibility list.

At this time, Canadian pork industry indications are that Canada is unlikely to fill any substantial displacements of U.S. exports to China as a result of retaliatory Chinese tariffs on U.S. pork products. Canada and the United States send similar cuts to China and given the smaller size of Canada's production there is limited supply to divert to the Chinese market without disrupting other supply lines. Canada has been increasing its pork exports in other Asian markets for higher value cuts and would be unlikely to redirect from those markets. Additionally, Canadian processors are reportedly not substantially focused on export marketing of alternative pork products such as feet and ears.

In a recent [press release](#), the Canadian Minister of Agriculture and Agri-Food announced a trade mission to China from November 7-16, 2018. Some of the key activities that will take place during the mission include visiting the economic centers of Qingdao, Shanghai and Beijing, meetings with Chinese industry stakeholders, and promotional and networking opportunities for Canadian businesses. Beef and pork are expected to be showcased on this business trip.

CPTPP

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership ([CPTPP](#)) was signed by the eleven participating countries in March 2018. Currently, there is no specified date for when the agreement will be in force.

Text highlights, according to the [Government of Canada](#), indicate that once implemented, Canadian beef exports to Japan would see tariffs on fresh/chilled and frozen beef reduced from 38.5 percent to nine percent within 15 years; the [tariff elimination schedule](#) is the same for both fresh and frozen beef. Tariffs on certain offal would be reduced from 50 percent to nine percent within 15 years. Canadian beef exports to Vietnam would see fresh/chilled and frozen beef tariffs reduced from 31 to zero percent within two years and on all other beef product tariffs of up to 34 percent would be eliminated within seven years.

For Canadian pork exports, tariffs on certain exports to Japan would be eliminated from the current 20 percent within ten years and tariffs of up to 27 percent on fresh/chilled and frozen exports to Vietnam will be eliminated within nine years. According to a [press release](#), Canada has secured a contract to exclusively supply pork to all Costco stores in Japan.